

Message Text

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ACTION EA-12

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E.O. 11652: N/A
TAGS: EINV, ECON, PP
SUBJECT: PNG ECONOMIC BRIEFS

1. IN RECENT MONTHS, PNG HAS RECEIVED SEVERAL VISITS FROM OFFICIALS OF THE BANK OF AMERICA. RECENT CONVERSATIONS BETWEEN THESE OFFICIALS AND OFFICIALS GPNG INDICATES THERE IS A GOOD CHANCE THE BANK OF AMERICA WILL BE ESTABLISHING AN OPERATION IN PNG. INDICATIONS ARE THAT THE TWO PARTIES HAVE AGREED THAT A MAIN OFFICE WOULD BE ESTABLISHED IN PORT MORESBY WITH A BRANCH IN LAE. GPNG WOULD, HOWEVER, LIKE A COMMITMENT FROM BANK OF AMERICA TO EXPAND THE NUMBER OF BRANCHES IN THE FUTURE WHILE BANK OF AMERICA WOULD LIKE TO MAKE THIS EXPANSION CONDITIONAL ON PROFITABILITY. BOTH BOA AND GPNG OFFICIALS SEEM CAUTIOUSLY OPTIMISTIC ABOUT REACHING AN AGREEMENT.

2. IN MARCH THE OK TEDI CONSORTIUM MET IN AUSTRALIA. GPNG OFFICIALS ALSO ATTENDED THE MEETING. THOUGH NO OFFICIAL COMMUNIQUE WAS RELEASED, EMBOFFS HAVE LEARNED THAT THE FEASIBILITY STUDIES HAVE ESTIMATED DEVELOPMENT COSTS OF OK TEDI AT \$1 TO \$1.2 BILLION. THE CONSORTIUM IS NOW CONSIDERING A SMALLER PROJECT WHICH WILL MINE THE ORE BODY AT A SLOWER RATE BUT WHICH MAY HAVE A DEVELOPMENT COST OF ONLY \$400 - \$500 MILLION. IN ADDITION, THE

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CONSORTIUM MAY ASK THE GOVERNMENT TO PICK UP A GREATER SHARE OF THE INFRA STRUCTURE. EMBASSY UNDERSTANDS THAT BOTH AMOCO AND THE GERMAN PARTNERS CONTINUE TO SHOW A GREAT DEAL OF INTEREST IN THE PROJECT BUT BROKEN HILL PTY. LTD. IS WARNED ABOUT OVER-COMMITTING ITSELF. AMOCO OFFICIALS HAVE TOLD EMBOFFS THAT THE CONSORTIUM WILL PROBABLY DELAY A DECISION FOR AS LONG AS POSSIBLE.

3. BUSINESS INTERNATIONAL IS NOW HOLDING A ROUND-TABLE DISCUSSION BETWEEN GPNG OFFICIALS AND OFFICIALS OF 16 FOREIGN COMPANIES. SUBJECT OF CONFERENCE IS THE PNG INVESTMENT CLIMATE. SENIOR MINISTERS INCLUDING SOMARE, CHAN, HOLLOWAY AND OLEWALE HAVE ALL ATTENDED DISCUSSIONS AND ENGAGED IN FREE AND FRANK DISCUSSIONS WITH BUSINESSMEN. THOUGH NOTHING NEW HAS YET COME OUT OF THE MEETING, MANY OF THE PARTICIPATING FIRMS HAVE NOT VISITED PNG BEFORE. BOTH BUSINESS AND GOVERNMENT OFFICIALS SEEM VERY PLEASED WITH THE RESULTS.

4. COINCIDING WITH THE BUSINESS INTERNATIONAL MEETING, THE GOVERNMENT RELEASED ITS 4TH NATIONAL INVESTMENT PRIORITY SCHEDULE. ITS MAIN AREAS FOR FOREIGN INVESTMENT PROMOTION FOR THE FORTHCOMING YEAR INCLUDED MINERALS AND PETROLEUM, AGRICULTURE, FORESTRY AND FISHING. THE MAIN PUSH IS FOR AGRICULTURE AND THE PROCESSING OF AGRICULTURAL PRODUCTS. THE GOVERNMENT HAS INDICATED A WILLINGNESS TO HELP IN THE FINANCE OF FEASIBILITY STUDIES OF UP TO K100,000 PER STUDY. THE EMBASSY WILL MAKE A MORE COMPLETE REPORT ON THE PRIORITY SCHEDULE IN A FOLLOWING AIRGRAM.

5. ON TUESDAY, APRIL 4, THE FONMIN SIGNED THE OPIC AGREEMENT AT A SMALL CEREMONY IN WHICH THE AMBASSADOR PARTICIPATED. LIMITED OFFICIAL USE

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UNFORTUNATELY, THE GPNG DIPLOMATIC NOTE HAD TWO TYPOS WHICH MEANT THAT WE HAD TO RETURN IT TO DFAT. WE UNDERSTAND A NEW NOTE WAS SIGNED ON FRIDAY.

6. BILL WENZEL OF WALTER TRUCK COMPANY, VOORHEESVILLE, NEW YORK IS AGAIN VISITING PORT MORESBY. WALTER TRUCK HAS NOW SOLD FOUR AIRPORT FIRE TENDERS TO THE GOVERNMENT AND IS HOPING TO SELL EIGHT MORE. TOTAL OF THE VALUE OF THE CONTRACT WILL BE WELL OVER \$2 MILLION. THE EMBASSY WAS ABLE TO SAVE WALTER TRUCK SHIPPING CHARGES OF \$5,000 A VEHICLE BY PUTTING THEM IN TOUCH WITH A VISITING REPRESENTATIVE OF FARRELL LINES. OLMSTED

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